

A faded background image of the San Francisco skyline, featuring prominent buildings like the Transamerica Pyramid and the Embarcadero Center, with the city reflected in the water of the San Francisco Bay.

Annual Report on Internal Controls

**Office of the Chief Financial Officer
Presented January 09, 2012**

Annual Report on Internal Controls

- Background
- Discussion
- Major Accomplishments
- Future Activities
- Conclusion

Background

- In 2004 City Council adopted Ordinance 19320 to achieve a high standard in financial and disclosure practices
- Municipal Code 22.0708 requires that an Annual Report on the City's internal controls be presented to City Council by the Chief Financial Officer
- Internal Controls Section (ICS) established in the Office of the City Comptroller

Discussion

- Management's role and responsibility is to establish an internal controls environment across all City operations that have a financial impact on the citywide financial reports
- Coordinates development and documentation of the City's financial policies and procedures
- Development and application of controls and monitoring
- Coordinates completion of audit recommendations

Major Accomplishments

- Audit Recommendations
- Process Documentation
- Partnership with Departments
- Reporting
- SAP Governance, Risk and Compliance

Audit Recommendations

- ICS tracked and reported completion of 202 audit recommendations by management
- 191 audit recommendations deemed as implemented resulting in the closure of 21 audits
- 177 open audit recommendations contained in 40 individual audit reports
- Prior audit findings remediated include:
 - Material Weakness in Internal Controls over Financial Reporting (MGO 2003-1)
 - Violations of Securities Laws (MGO 2003-4)

Process Documentation

- During 2011, ICS completed 100 process narratives and 100 workflow diagrams
- 26 process narratives have been submitted to the ICS and are currently in various stages of completion
- 229 completed process narratives and workflow documents have been published
- Major processes documented include Accounts Payable, Treasury and Payroll

Partnership with Departments

- Technical assistance and guidance has been provided by the ICS in many areas including:
 - Annual SAP User Access Review
 - ERP System Enhancement Review
 - Internal Control Policy for Managed Competition

Reporting

- Productivity statistics maintained include:
 - Segregation of duties violations
 - Audit reports and recommendations
 - Transaction testing
 - Process documentation

SAP Governance, Risk and Compliance

- 10,000+ Users analyzed for Segregation of Duties violations each month
- Testing performed in key approval processes in Accounts Payable, Payroll and Accounting functions
- 51 Process and Control Design Assessments distributed to Owners

Future Activities

- Citywide Internal Controls Risk Assessment
- Configuration and Implementation of SAP Governance, Risk and Compliance 10.0

The background of the slide is a photograph of a city skyline, likely San Francisco, viewed from across a body of water. The buildings are tall and modern, with a mix of glass and concrete facades. The water in the foreground is calm, reflecting the buildings and the sky. The overall atmosphere is hazy or misty, giving it a soft, somewhat ethereal feel. The text is overlaid on the upper half of the image.

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Questions?